TESCO UNDERWRITING LIMITED

Annual Report and Financial Statements
For the 14 months ended 28 February 2022

Registered number 6967289

TESCO UNDERWRITING LIMITED

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TESCO UNDERWRITING LIMITED

Directors and Advisers

Directors

Colin Anthony (resigned 4th May 2021)
Robin Challand (resigned 4th May 2021)
Adam Clarke (resigned 4th May 2021)
Margot Cronin
Gary Duggan (appointed 6th August 2021)
Stephen Grainge
Richard Henderson (resigned 4th May 2021)
Declan Hourican (resigned 4th May 2021)
Stephen Kingshott (resigned 5th August 2021)
Simon Machell
Jonathan Price (resigned 4th May 2021)
Caroline Ramsay
Mark Winlow (resigned 4th May 2021)

Secretary

Claire Marsh (Resigned 4th May 2021)
Gail Stivey (Appointed 4th May 2021)

Registered Address

London Court
39 London Road
Reigate
Surrey
RH2 9AQ

Registered Number

06967289
Registered in England and Wales

Independent Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Bankers

HSBC Bank Plc
165 High Street
Southampton
SO14 2NZ

TESCO UNDERWRITING LIMITED

Strategic Report

The directors present their Strategic Report and Directors' Report, together with the audited financial statements for the 14 months ended 28 February 2022.

Activities

During the period Tesco Underwriting Limited ('the Company' or 'Tesco Underwriting (TU)' continued its underwriting of personal lines insurance business (car and home) distributed by Tesco Personal Finance plc ('Tesco Bank').

Results

The results of the Company are contained in the Financial Statements on pages 18 to 50. The profit before taxation during the period to 28 February 2022 was £20.4m (2020: £36.7m). Additional explanation is included in the Business Review later in this report. The profit for the period included within retained earnings was £16.6m (2020: £29.7m). There was a decrease in the market value of investments compared to their carrying value that decreased the fair value reserve after tax by £29.1m (2020: increase £8.7m). In the 14 months up to 28 February 2022, a dividend of £20m was paid to shareholders through retained earnings (2020: £15m), resulting in an overall decrease in shareholders' equity of £32.4m to £156.4m (2020: £188.8m).

Financial Position

At the end of the period total assets were £988.1m (2020: £994.7m) with financial investments being £599.6m (2020: £642.2m). Financial investments are fixed rate debt securities and a property fund. Cash and cash equivalents were £64.5m (2020: £71m), reinsurance assets £245.1m (2020: £230.4m) and insurance and other receivables £52.0m (2020: £33.1m).

Total liabilities at the end of the period were £831.7m (2020: £805.9m) with insurance contract provisions of £647.5m (2020: £648.2m) and loans and borrowings of £42.5m (2020: £42.3m).

Solvency

At 28 February 2022 the Company had unaudited Solvency II own funds of £183.0m (2020: £185.9m) compared to a Partial Internal Model (PIM) SCR of £121.1m (2020: £118.2m) and the coverage ratio was 151.0% (2020: 157.3%). The Company made a dividend payment of £20m (2020: £15m) through retained earnings in the 14 months.

Strategic Direction

The Company is an insurer authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. It was established to underwrite Tesco branded car and home insurance policies, introduced to it by Tesco Bank. The Company is now 100% owned by Tesco Bank following the purchase of Ageas (UK's) 50.1% in the ordinary share capital of Tesco Underwriting, from its joint venture partner, Ageas (UK) Limited.

The purchase was a significant step in reinforcing the Tesco Bank commitment to the UK insurance market and to Tesco customers. The overall role of the Company is to support the Tesco Bank personal lines insurance strategy through offering products that have a strong emphasis on value, helpful benefits and rewarding loyalty, whilst driving financial returns for its shareholder by maintaining strong underwriting, risk and financial controls.

The vision for the Company is to be the "Insurer of choice for Tesco Customers" whilst the overall role for the Company is to maintain a profitable position within the UK personal lines car and home market supporting the Tesco Bank personal lines insurance strategy.

Business Review

The Board considers the key indicators that will communicate the financial performance and strength of the Company to its members are:

- Gross premiums written
- Profit/(loss) before taxation
- Operating ratio
- Return on capital after tax

The Board also uses a number of other key indicators to assess the performance of individual parts of the business, including details on the number of policies underwritten, net promotor score and various performance ratios. The policies in force for the Company were 1,025k at 28 February 2022 (2020: 901k). The Company's net promotor score was 70 (2020:70)

	14 months ended 28 Feb 22	2020	Change
	£m	£m	%
Gross Premiums Written	346.6	297.7	16.4%

Strategic Report (continued)

Gross premiums written for the 14 months up to 28 February 2022 were 16.4% higher than the 12 months reported for 2020 reflecting the additional 2 months together with a growth of 13.8% in policies. The Company continues to be a disciplined underwriter with a clear return on capital target set by the shareholder and pricing will reflect this.

	14 months ended 28 Feb 22	**2020**	**Change**
	£m	**£m**	**%**
Profit Before Tax	20.4	36.7	(44.5%)

Profit before taxation is the key performance measure for the Company which aims to deliver sustainable growth in profits over the insurance cycle by risk selection at appropriate rates, rigorous expense control and delivery of superior customer service to its policyholders.

The performance in the period was £20.4m before taxation and reflected a return to previous levels of profitability following 2020 (£36.7m) which was significantly impacted by reduced claims frequency during the Covid-19 pandemic.

The Company intends to continue its policy of maintaining strong underwriting and pricing controls and will take appropriate action to maintain profitability moving forward.

	14 months ended 28 Feb 22	**2020**	**Change**
Operating Ratio	91.2%	83.1%	9.7%

The operating ratio is considered as a measure of the Company's overall efficiency. It is calculated as the total of incurred claims, commissions, expenses and reinsurance less investment income, as a percentage of net earned premiums.

The operating ratio deteriorated against 2020 by 9.7%. The adverse movement is caused primarily by the normalisation of claims frequency in the 14-month period compared to 2020 which was favourably impacted by the Covid-19 pandemic.

	14 months ended 28 Feb 22	**2020**	**Change**
Return on capital after tax	9.6%	16.8%	(42.8%)

Return on capital after tax is a measure of the efficiency with which the Company uses its shareholders' equity. This is measured by taking profit after tax over average shareholders' equity for the 14-month period adjusted for any dividends that have been paid.

The Company reported a profit before income taxes of £20.4m for the 14-month period. The underlying performance of the motor portfolio continue to show both capped and large claims at broadly expected levels. Within the home portfolio the current period result was impacted by storm claims (primarily Eunice and Franklin in February 2022 as well as Arwen in November 2021).

Principal risks and uncertainties

The Company's principal risks and uncertainties and the way that these risks are managed are detailed in note 2 to the financial statements. Given the Company's business as a motor and home insurer the main risks it faces relate to insurance, market, credit, liquidity, operational and capital management risks. The procedures to control these risks are embedded into decision making via the Company's risk management framework and are expressed through the Company's risk appetite statements and its risk register which identifies the individual risks faced in each area of the business and the controls in place to mitigate these. During 2021 and 2022 the Management Risk Committee's reports have been provided to the Board Risk Committee which focuses on consideration of top risks including climate change.

Covid-19

The Covid-19 pandemic has receded in the UK with the end of most restrictions in England on 24 February, in Scotland on 21 March and in Wales on 28 March 2022. The Company continued to operate effectively in compliance with the Covid-19 pandemic restrictions during 2021 and 2022 using the protocols established during 2020, modified for the changes required as the vaccine programme rolled out and the situation in the UK eased. Following the removal of Covid 19 pandemic measures in England, the Company's Covid Triage Group was disbanded and the requirement for notification of Covid-19 cases to the Company was suspended.

During the first part of 2021 TU continued with its Crisis Management approach of continuing to have a proportion of the staff in the Claims operation in Newcastle in attendance in order to maintain claims handling tasks that could not be done remotely. All operations remained stable throughout this period.

Strategic Report (continued)

Updates continued to be communicated with TU staff throughout the past 14 months. The safety and wellbeing of TU staff remained the primary focus alongside ensuring that business systems and processes can continue to serve customers through this period and there was strong co-operation between the Company, Tesco Bank and Ageas during its period of ownership.

Overall, the business and its partners proved resilient to the pandemic and the pandemic is not assessed to be a significant risk.

Section 172 Statement

The Tesco Underwriting (TU) directors have always been aware of, and attentive to, all their duties and responsibilities. This includes the duty to promote the success of the Company for the benefit of its stakeholders as a whole as set out under section 172 of the Companies Act 2006. The TU Board takes this into account when setting and embedding its culture and values in line with its vision to be the 'Insurer of choice for Tesco customers'. The TU Board recognise the long-term success of the Company is only possible through engagement with, and having regard to, the interests of key stakeholders, which for TU includes customers, employees, its shareholder, suppliers and the community at large. The effective operation of the governance framework facilitates TU directors in the discharge of their duties, ensuring all stakeholders and impacts on the environment are considered in the decision making of the TU Board and its Committees.

The role of the TU Board is to effectively manage TU's business and exercise control over its business, maintaining a reputation for high standards of business conduct. This is achieved by the TU Board setting the tone from the top, ensuring the direction and performance of the business is aligned to shareholder objectives, and in doing so paying due regard to the interest of all its stakeholders. A range of mechanisms have been established to support directors in the discharge of their duties and further detail has been incorporated within the Stakeholder Engagement statements set out on pages 5-7 of this report. Furthermore, throughout 2022, the TU Board will continue to review and challenge how TU can continue to improve engagement with its stakeholders.

Stakeholder Engagement Statements

Shareholders
During the period of joint ownership of the Company it was aligned to the combined interests of its two shareholders, Ageas (UK) Limited (Ageas UK) 50.1% and Tesco Bank 49.9%. Since the change to 100% Tesco Bank ownership on 4 May 2021 TU has continued with a strategy aligned to Tesco Bank in order to support the Tesco commitment to the UK insurance market and to Tesco customers.

The Company's purpose and strategy is aligned to this shareholder strategy. The role of the Company is to support the Tesco Bank personal lines insurance strategy through innovative underwriting and product initiatives, whilst driving financial returns by maintaining strong underwriting, risk and financial controls. TU has continued to work collaboratively with its shareholders through the period; Tesco Bank provides the Company with IT and management services. Both before and after its sale of its shareholding to Tesco Bank, Ageas UK has provided some claims handling and a range of ancillary services to the Company, noting that there is a plan which is underway which will lead to the completion of the transition away from Ageas provision by the end of 2022.

Ageas UK was represented on the TU Board by three Ageas UK Executives and one Non-Executive Director until the change in ownership on 4 May 2021. Tesco Bank was represented on the TU Board, by two Tesco Bank Executives and one Non-Executive Director until the same date. Subsequent to the change in ownership there are two Executive Directors and three non-executive Directors, including the Chair who also remains a Tesco Bank Non-Executive Director.

In March 2021, the TU Board having considered the Company would have the appropriate resources to continue to meet debts as they became due, resolved that an interim dividend of £20 million be declared, paid to Ageas UK and Tesco Bank and this was paid at the end of March 2021. Taking into account shareholder requirements and allowing for the planned growth of the business, no interim dividend is proposed for the 14-months ending 28 February 2022.

Throughout the 14-month period, the Board has considered the likely consequences of any decisions made in the long term and has had regard to acting fairly between all stakeholders including all of the shareholders. On 4 May 2021 Tesco Bank purchased the shareholding of Ageas UK taking its ownership to 100%. Subsequently the company has maintained a consistent strategy aligned to the Tesco Bank strategy. TU Management, overseen by the TU Board, continue to implement the programme established by Tesco Bank and Ageas UK to achieve the effective transition of all services currently supplied to TU by Ageas UK by the end of 2022 and this is well advanced.

Customers and Suppliers
Customers are at the heart of the Company's business and it is important to the Company to maintain a high standard of business conduct. During 2021 customer interests remained a key priority for the TU Board and customer experience reports have continued to be provided on a quarterly basis. The TU Board have been kept apprised of actions being taken to support all customers as the Covid-19 pandemic recedes.

At TU, we strive through a customer centric approach to ensure we conclude claims quickly and fairly for our customers to deliver the best possible outcomes. We maintain at all times a keen focus on treating customers fairly and ensure our products provide value for money. Our flexible approach to meeting the needs of a diverse customer base, including specific consideration of the needs of vulnerable customers, has ensured we are well placed to respond quickly and meaningfully to the needs of our customers.

A number of digital solutions have been progressed to enhance and simplify the end-to-end customer experience. The delivery of our digital claims journey under the Customer Experience Programme, has significantly enhanced flexibility in how customers can report claims.

We ensure suppliers who provide services are able to do so without detriment to our customers, employees, community and the environment and we have carried out robust oversight measures to ensure this is the case. These measures are governed by our Procurement and Supplier Management Framework which includes detail of how we assess supplier performance and ensure their operating standards are robust. These supplier assessments are conducted to a set timetable and reported quarterly to the Board Risk Committee. During the Covid-19 pandemic we were able to continue to deliver solutions to our customers using third party providers where appropriate. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

TESCO UNDERWRITING LIMITED

Strategic Report (continued)

Employees
The safety and wellbeing of employees remained a priority of the TU Board as the Covid-19 pandemic continued into 2021. The focus has been on ensuring all staff could continue to work safely at the office, if necessary, to deliver essential services to customers, where cleaning and social distancing regimes were implemented, or for the majority of employees; remotely.

TU employees have been kept up to date as the Covid-19 pandemic develops with regular focused communication and a number of support programmes launched to ensure the TU culture was maintained and employee's mental wellbeing was supported. Colleague briefings on strategy and performance continued to be delivered in a virtual format and regular virtual meetings with the Employee forum have continued with senior management, facilitating the escalation and cascade of key messages from and to the TU Executive Committee and the TU Board.

Leading up to the acquisition by Tesco Bank of Ageas UK's stake in TU, TU employees were kept informed via regular communication and briefings by the senior management and the Employee forum and Consultation Partners were appointed to liaise with colleagues directly in relation to harmonisation of terms and conditions. The TU Board was kept apprised of the communication plan and progress, including details of the harmonisation of terms and conditions of employment contracts with employees at Tesco Bank and the transition of some employees to Tesco Bank under Transfers Of Undertakings (Protection of Employment) Regulations ('TUPE').

Employees are invited to provide feedback and to actively participate through continued use of engagement surveys. The key themes emanating from the surveys are brought to the attention of the TU Board and resulting actions tracked. During the 14 months up to 28 February 2022 the response rate continued to be high and employee engagement scores were moderate to high across the business. Employee feedback was incorporated into the ambition for a more flexible future workplace, supporting a blend of office and remote working.

TU has established and promotes a culture where employees have the confidence and ability to raise their concerns. Directors and managers have a responsibility to ensure that mechanisms are in place to encourage such concerns to be raised and any wrongdoing dealt with. The whistleblowers' champion has been apportioned responsibility for oversight of TU whistleblowing policies and procedures, and a report to the TU Audit Committee in 2021 confirmed the systems and controls in place were satisfactory. The effectiveness of these controls will continue to be monitored and reported going forward.

Regulator
The Company and the Board maintains an open and constructive dialogue with the PRA and FCA alongside the provision of required reports, for example in relation to Solvency II and through regular supervisory meetings.

Diversity and Inclusion
The Company is committed to a culture which is inclusive, supports diversity and ensures all stakeholders are treated fairly. Recruitment, promotion, career development, selection for training and any other aspects of employee management of all employees are free from discrimination, including on the grounds of gender, ethnicity, disability, age, sexual orientation, marital status, and other protected characteristics. The TU Board has set the policies and standards within which the Company will operate, and the approach to diversity and inclusion is monitored regularly by the TU Board. Given the focus, it was pleasing TU met its targets under the Women in Finance Charter ahead of the 2020 deadline, with 40% of women in senior management roles at the end of February 2022.

Community
TU has continued to be very active in the community within which it operates despite the context of the Covid-19 pandemic. The Company and the Board supports a "Charity of the Year" which for the period to 28 February 2022 remained The People's Kitchen in Newcastle and The Children's Trust, a national charity, in Reigate. The Company made donations to these charities recognising the challenges for this sector during the Covid 19 pandemic.

Environment
The Board has also allocated SMF responsibility for managing Climate Change financial risks to its Finance Director. In its supervisory statement PRA SS3/19, together with subsequent regulatory correspondence, the PRA sets out how firms should enhance their approach to managing climate related financial risks. The Company has established a cross functional Climate Change Working Group who has identified a comprehensive set of key climate related financial risks, the details of which were shared with the Board Risk Committee. Several Climate Change financial risks are already managed as part of the existing risk management frameworks, and impact assessments from the Reinsurance and Investment Committees, shared with the Board Risk Committee, confirmed climate change was a key consideration for both areas.

At the end of 2021, an external review confirmed that TU had delivered regulatory requirements with action plans in place to take further action in 2022 across investments, reinsurance, pricing, underwriting, claims and procurement. TU continues to monitor the carbon footprint of its investment portfolio.

The Board is also monitoring the longer-term transition risks arising from the changing Climate relating to the personal lines insurance market and has received regular Climate Change reporting as well as TU Board education on the developing environment.

This report was approved by the TU Board of Directors on 5 May 2022 and signed on its behalf by:

Gail Stivey
Secretary

Directors' Report

Position as at 28 February 2022

Financial position and results

The Company's position and results are shown in the Strategic Report on page 3.

Future developments, principal risks, uncertainties and regulatory changes are considered and described within the strategic report.

Disclosure of information to auditor

The Members of the TU Board are shown on page 2. The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Required actions have arisen from the review of external audit report findings relating to control deficiencies, including those impacting IT controls related to the primary underwriting system, general ledger and claims system. Management has put in place a plan to address these control findings deficiencies, which the Audit Committee will oversee.

Creditor payment policy

Refer 'Customers and Suppliers' within the Strategic Report.

Business Ownership

On 4 May 2021, Tesco Bank acquired the remaining 50.1% ordinary share capital of TU, from its joint venture partner, Ageas (UK) Limited ('Ageas'), following regulatory approval received in March 2021. Since 4 May 2021, TU has therefore become a wholly owned subsidiary of Tesco Bank and forms part of the Tesco Bank group. Total cash consideration of £89.7m has been paid to date, with an additional deferred payment of £5.0m due to be paid on expiry of the exit period, subject to the fulfilment of Ageas's obligations in relation to the migration and transition of the business to Tesco Bank. Expiry of the exit period is expected to be one year from the acquisition date. In addition to the purchase of the ordinary share capital, Tesco Bank also acquired the holding of £21.2m subordinated debt from Ageas on the same date.

Brexit

Given that the Company operates exclusively in the UK market it continues to assess that the risks for the business (for example in relation to claims costs, a wider economic downturn and investment returns) are akin to those typical of its ongoing operations and, taken overall, are limited and manageable within the context of its existing plans, with minimal additional considerations needing to be taken.

Future Developments

The Company plans to continue with its existing role in the UK insurance market and for Tesco insurance companies as part of the Tesco Bank ongoing commitment to the UK insurance market and to Tesco customers.

The overall role of the Company is planned to support the Tesco Bank personal lines insurance strategy through offering products that have a strong emphasis on value, helpful benefits and rewarding loyalty, whilst driving financial returns for its shareholder by maintaining strong underwriting, risk and financial controls.

The vision for the Company is to be the "Insurer of choice for Tesco Customers" whilst the overall role for the Company is to maintain a profitable and growing position within the UK personal lines car and home market supporting the Tesco Bank personal lines insurance strategy.

Climate Change

The approach to managing Climate Change from a risk perspective is set out on page 6.

	Total	Utilities	Travel
Co2e tonnes	561.9	553.1	8.8
Co2e tonnes per FTE	1.83	1.8	0.03

The figures represent TU's carbon footprint in the financial period to 28 February 2022. The calculations use emission factors from Defra's GHG Conversion Factors for Company Reporting as published by the UK government : https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021. Emissions from utilities are considered to be Scope 2 and Travel emissions are considered as Scope 3.

The total Co2e tonnes per FTE has been assessed to be 1.83 (2020: 1.4). This is an assessment of energy usage within the 2 offices in Newcastle and Reigate and business travel. During the financial period to 28 February 2022 office usage and business travel were both limited due to the Covid-19 pandemic.

The responsibility for managing the financial risks of Climate Change has been allocated to the Finance Director. A cross functional Climate Change Working Group including representatives from Underwriting, Claims, Finance and Risk has been established. The Working Group has identified a comprehensive set of key climate related financial risks, the details of which were shared with the Board Risk Committee. Several climate financial risks are already managed as part of the existing risk management frameworks, and impact assessments from the Reinsurance and Investment Committees shared with the Board Risk Committee confirmed that Climate Change was a key consideration for both areas.

From an underwriting perspective, controls in relation to exposure from natural catastrophes including flood, rainstorm, windstorm, coastal, and rivers are being assessed. TU is considering a defined approach to transition risks as petrol and diesel vehicles are phased out and replaced by electric over the next decade. The claims team are focussed on third party supplier exposure to Climate Change risk as well as supply chain costs increasing due to new technology in vehicles.

TU is ensuring that reinsurance is diversified in the face of Climate Change and monitoring counterparty exposure in line with current expressed limits. Credit rating exposure to specific reinsurers are being measured and monitored, ensuring that the minimum credit rating of reinsurers is 'A-'and that the highest rated reinsurers are used for highest risk covers. Reinsurance market developments are being monitored to ensure capital availability and continuity of renewal.

Investment guidelines have been updated to include Environment, Social, Governance (ESG) considerations. This includes implementing ESG limits including those related to carbon footprint and demonstrating the monitoring of ESG in investment guidelines.

Climate Change is being considered in risk assessments and reviewed as part of operational resilience planning. TU has embedded Climate Change monitoring in governance committees and has considered Climate Change in its latest ORSA scenario analysis. At the end of 2021, an external review confirmed that TU had delivered regulatory requirements with plans in place to take further action across investments, reinsurance, pricing, underwriting, claims and procurement. TU continues to monitor the carbon footprint of its investment portfolio. Further developments relating to Climate Change are included within the Stakeholder Engagement Statements.

The Board is also monitoring the longer-term transition risks arising from the changing Climate relating to the personal lines insurance market and has received regular Climate Change reporting as well as TU Board education on the developing environment.

Covid-19

Overall, the business and its partners proved resilient to the Covid-19 pandemic and the Covid-19 pandemic is not assessed to be a significant risk. Uncertainties relating to the Covid-19 pandemic are included within the Strategic Report.

Employee involvement

The Company keeps employees up to date on strategy and performance through a variety of channels. Further details are included within the Strategic Report. The average number of persons employed in the United Kingdom by the Company during the period was 335 (2020: 357). The full-time equivalent number of employees adjusted for part time staff was 322 (2020: 343). The salary costs for 2021/22 were £19.2m (2020: £17.8m). An analysis of staff numbers is shown in note 25.

Diversity and Inclusion

The Company is committed to a culture which is inclusive and supports diversity. Recruitment, promotion, career development, selection for training and any other aspects of employee management of all employees are free from discrimination, including on the grounds of gender, ethnicity, disability, age, sexual orientation, marital status and other protected characteristics. The Company works with colleagues, including those with disabilities, to adapt work practices where necessary in order to help them work effectively within the business. The TU Board have set the policies and standards within which the Company will operate, and our approach to diversity and inclusion is monitored regularly by the TU Board. The TU Board places a high emphasis on ensuring the development of diversity across the business and has signed up to the HM Treasury's Women in Finance Charter and supports various internal initiatives such as the Women in Insurance Programme, and our Diversity and Inclusion Policy, TUEveryone.

Directors' Indemnities

In terms of Section 236 of the Companies Act 2006, all Executive and Non-Executive Directors have been issued a Qualifying Third-Party Indemnity Provision by TU. All Qualifying Third-Party Indemnities were in force at the date of approval of the Financial Statements and shall remain in force without any limit in time. This will not be affected by the expiration or termination of a Director's appointment, however it may arise.

Charitable donations

Charitable donations in the period amounted to £10,000 (2020: £13,179).

Post balance sheet events

There were no events after the reporting date which have required either adjustment or disclosure in these Financial Statements.

This report was approved by the TU Board of Directors on 5 May 2022 and signed on its behalf by:

Gail Stivey
Secretary

Registered Address
London Court,
39 London Road,
Reigate,
Surrey, RH2 9AQ

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and IFRSs as issued by the International Accounting Standards Board (IASB).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Tesco Underwriting Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Tesco Underwriting Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 28 February 2022 and of its profit for the 14 months period then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows;
- the significant accounting policies; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the period are disclosed in note 8 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current period was the valuation of insurance contract liabilities and reinsurance assets.
Materiality	The materiality that we used in the current period was £3.5m which was determined on the basis of 1% of gross written premium.
Scoping	Audit work to respond to the risks of material misstatement within the company was performed directly by the audit engagement team.

Independent Auditor's Report to the Members of Tesco Underwriting Limited

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls around management's going concern assessment;
- assessing the company's compliance with regulation, including capital requirements;
- reviewing the Own Risk and Solvency Assessment (ORSA) to support our understanding of the risks faced by the company;
- inspecting correspondence between the company and its regulators, Financial Conduct Authority ("FCA") and Prudential Regulation Authority ("PRA"), as well as reviewing relevant Board and Committee minutes to identify any potential areas of legislative or regulatory non-compliance that could impact upon going concern;
- assessing the assumptions used in the forecasts prepared by management, and their historical accuracy; and,
- assessing the financial position and prospects of the wider Tesco Group to which the company is operationally linked.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of insurance contract liabilities and reinsurance assets

Key audit matter description	The company's gross insurance contract provisions total £647.5m as at 28 February 2022 (£648.2m as at 31 December 2020), with reinsurance assets of £245.1m (£230.4m as at 31 December 2020). Under IFRS 4 Insurance Contracts, provisions are required to be recognised for expected losses on claims occurring prior to the period end. Estimating these provisions is inherently subjective and requires the use of complex modelling techniques and the consistent application of judgement and estimation using appropriate methodologies and assumptions. Within gross insurance contract provisions, bodily injury (BI) claims relating to motor insurance policies represent the most significant area of management judgement and is the most material balance on the company's financial position. Our significant risk is focused upon the selection of frequency and severity assumptions, and pricing benchmarks, for large BI claims, as these claims have a higher level of uncertainty in relation to the estimation of losses compared to property damage claims. The associated reinsurance assets are also subject to uncertainty given the lack of historical experience and the materiality of the balance. Management employs a range of IT systems to maintain data used in the reserving models, including the primary underwriting and claims systems. Management utilise best estimate views provided by claims handlers, which typically include a level of prudence that unwinds as the claims progress. The level of prudence or redundancy within the booked provisions reflects the uncertainty in assessing long tail claims of this class, and also limitations in historical data.

	Associated reinsurance recoveries are estimated separately, using a deterministic model which applies the relevant reinsurance programmes to each claim and uses different reinsurance recoverable assumptions. As described on page 7 of the Directors' Report, there is an ongoing plan to remediate the internal control deficiencies identified during our audit, including as they relate to the valuation of insurance contract liabilities and reinsurance assets. Notes 1 and 15 of the financial statements provide further detail on critical judgements and key sources of estimation uncertainty in relation to this matter.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to the assessment of large BI claims and reinsurance recoveries. Together with our IT specialists, we obtained an understanding of general IT controls across the premiums, claims and reserving cycles, as well as the general ledger. Working with actuarial specialists on our engagement team we obtained and inspected the reserving reports from management, and their external expert actuary. This involved assessing and challenging methodologies and key assumptions, and assessing any differences in view between management and their external actuary. We assessed the objectivity, competence and capabilities of management's external actuary. Working with our actuarial specialists, we re-produced the reserving model results using management's stated methodology and assumptions, and performed benchmarking of management's assumptions against available industry data and the changes in risk profile over the period. We reviewed management's roll forward of results from the pre year end full reserving review to the period end. We tested the data used in the actuarial calculation to evaluate completeness and accuracy.
Key observations	Our work on the valuation of insurance contract liabilities and reinsurance assets was completed and we are satisfied that the Company's insurance contract liabilities and reinsurance assets are not materially misstated. As detailed in Section 7.2, we identified deficiencies in certain general IT controls. Due to these deficiencies, we did not rely on the operating effectiveness of controls across the reserving cycle, and we factored this into the nature, timing and extent of our planned procedures.

6. Our application of materiality

6.1. Materiality

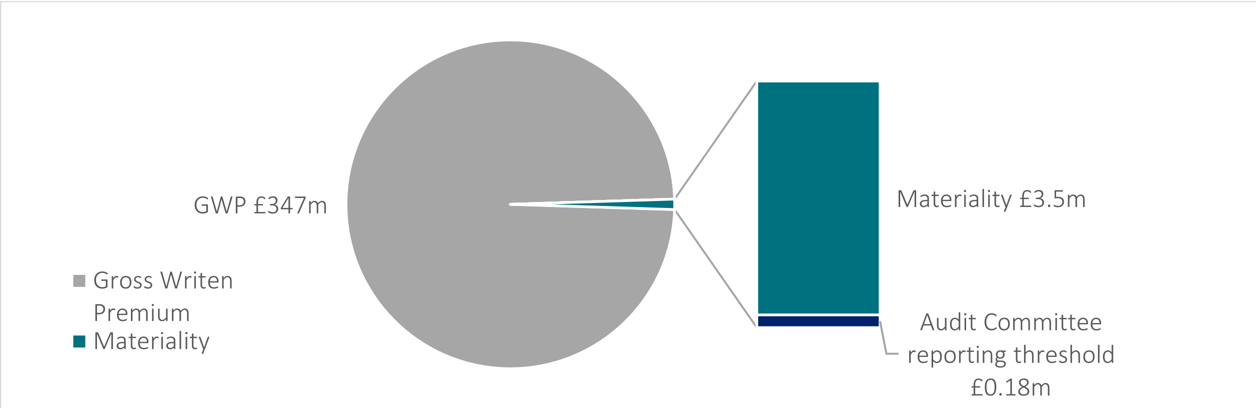
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.5m

Independent Auditor's Report to the Members of Tesco Underwriting Limited

Basis for determining materiality	1% of gross written premiums.
Rationale for the benchmark applied	We consider gross written premiums to be the critical benchmark of the performance of the company, being the focus area of users of the financial statements and industry analysts.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit. In determining performance materiality we considered the following factors:

- the quality of the control environment and the identified control deficiencies; and
- the level of historical misstatements identified by the predecessor auditor.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £177,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including internal control, and assessing the risks of material misstatement. The company is organised as one entity and therefore our audit work to respond to the risks of material misstatement was conducted directly by the audit engagement team. Where the company is reliant upon IT applications provided by the wider Tesco group, we instructed our IT specialists to conduct work upon these systems as detailed below.

7.2. Our consideration of the control environment

The company is reliant upon the effectiveness of a number of IT applications and controls to ensure that financial transactions are processed and recorded completely and accurately.

We involved our IT specialists to obtain an understanding of general IT controls across the premiums, claims and reserving cycles, as well as the general ledger, and planned to rely upon controls. We have tested manual controls over reserving, investments, reinsurance and operating expenses.

Independent Auditor's Report to the Members of Tesco Underwriting Limited

As noted on page 7 of the Directors' Report, there were number of control deficiencies identified related to primary underwriting system, and also in relation to supporting reconciliation controls performed by management. Similar control deficiencies were identified over the system used to record claims. Although management rectified these deficiencies by the period end, we were unable to rely upon their operating effectiveness during the period and did not rely on controls, and this factored into the nature, timing and extent of our planned procedures.

We reported all of our significant findings and observations on internal controls to the Audit Committee, as well as some other findings and observations which are not significant, together with recommendations for improvement.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements.

The Company continues to develop its assessment of the potential impacts of environmental related risks, including climate change. As a part of our audit, we have held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Company's financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the Company's account balances and classes of transactions and did not identify any additional risks of material misstatement

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial, tax, valuations, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Valuation of insurance contract liabilities and reinsurance assets

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of insurance contract liabilities and reinsurance assets as a key audit matter related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by management on 10 June 2021 to audit the financial statements for this period ending 28 February 2022 and subsequent financial periods.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Independent Auditor's Report to the Members of Tesco Underwriting Limited

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

M. Bainbridge

Matthew Bainbridge FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
10 May 2022

Statement of comprehensive income

For the period ended 28 February 2022

	Note	2022 £m	2020 £m
Gross premiums written	3	346.6	297.7
Change in the gross provision for unearned premiums	3	(4.1)	1.1
Gross insurance premium revenue		342.5	298.8
Written premiums ceded to reinsurers	3	(150.9)	(130.8)
Reinsurers' share of change in the provision for unearned premiums	3	1.7	31.3
Net insurance premium revenue		193.3	199.3
Investment income	4	18.8	12.0
Other operating income	5	3.4	3.1
Net income		215.5	214.4
Claims and benefits incurred	6	(233.1)	(200.1)
Reinsurers' share of claims and benefits incurred		99.1	61.5
Net policyholder claims and benefits incurred		(134.0)	(138.6)
Net acquisition costs	7	(17.5)	(10.2)
Administration costs	8	(41.7)	(27.1)
Operating profit		22.3	38.5
Finance costs	9	(1.9)	(1.8)
Profit before income tax		20.4	36.7
Income tax	10	(3.8)	(7.0)
Profit for the period		16.6	29.7
Other comprehensive income			
Items which will be reclassified to profit or loss			
Gain/(loss) on available-for-sale financial assets	16	(36.8)	11.0
Income tax on other comprehensive income	10	7.7	(2.3)
Other comprehensive loss, net of tax		(29.1)	8.7
Total comprehensive income		(12.5)	38.4

The notes on pages 29 to 50 form an integral part of these financial statements.

TESCO UNDERWRITING LIMITED

Registered number 6967289

Statement of financial position

For the period ended 28 February 2022

	Note	28 Feb 2022	31 Dec 2020
		£m	£m
Assets			
Intangible assets	11	11.1	9.7
Property, plant and equipment	12	1.1	0.5
Deferred acquisition costs	13	11.0	7.8
Deferred tax asset	14	3.1	0.0
Reinsurance assets	15	245.1	230.4
Financial investments	16	599.6	642.2
Insurance and other receivables	17	52.0	33.1
Cash and cash equivalents	18	64.5	71.0
Current tax asset	20	0.6	-
Total assets		988.1	994.7
Shareholders' equity			
Share capital	24	129.7	129.7
Retained earnings		35.2	38.6
Fair value reserve		(8.5)	20.5
Total shareholders' equity		156.4	188.8
Liabilities			
Insurance contract provisions	15	647.5	648.2
Financial liabilities - loans and borrowings	19	42.5	42.3
Reinsurance payables		0.6	1.7
Funds withheld		114.8	88.7
Current tax liability		-	0.7
Deferred tax liability		-	4.5
Insurance payables, other payables and deferred income	21	26.3	19.8
Total liabilities		831.7	805.9

The notes on pages 29 to 50 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 5 May 2022 and were signed on its behalf by:

G Duggan
Director

S Grainge
Director

Stephen Grainge

TESCO UNDERWRITING LIMITED

Registered number 6967289

Statement of changes in equity

For the period ended 28 February 2022

	Share capital £m	Retained earnings £m	Fair value reserve £m	Total £m
Balance at 1 January 2021	129.7	38.6	20.5	188.8
Total comprehensive income for the period				
Profit for the year	-	16.6	-	16.6
Fair value gains/ (losses) relating to available-for-sale financial assets	-	-	(29.0)	(29.0)
Total comprehensive income for the period	-	16.6	(29.0)	(12.4)
Transactions with owners of the Company				
Dividend Payments	-	(20.0)	-	(20.0)
Transactions with owners of the Company	-	(20.0)	-	(20.0)
Balance at 28 February 2022	129.7	35.2	(8.5)	156.4

	Share capital £m	Retained earnings £m	Fair value reserve £m	Total £m
Balance at 1 January 2020	129.7	23.9	11.8	165.4
Total comprehensive income for the period				
Profit for the year	-	29.7	-	29.7
Fair value gains relating to available-for-sale financial assets	-	-	8.7	8.7
Total comprehensive income for the period	-	29.7	8.7	38.4
Transactions with owners of the Company				
Dividend Payments	-	(15.0)	-	(15.0)
Transactions with owners of the Company	-	(15.0)	-	(15.0)
Balance at 31 December 2020	129.7	38.6	20.5	188.8

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, net of tax, until the investment is derecognised or impaired.

The notes on pages 29 to 50 form an integral part of these financial statements.

TESCO UNDERWRITING LIMITED

Registered number 6967289

Statement of cash flows

For the period 28 February 2022

	Notes	2022	2020
Cash flows from operating activities			
Profit before tax		20.4	36.7
Adjustments for:			
Investment income	4	(13.9)	(12.7)
Finance costs	9	1.9	1.8
Amortisation of intangible assets	11	2.8	1.6
Depreciation of property, plant and equipment	12	0.5	0.2
Amortisation of deferred acquisition costs	7	(3.2)	2.6
Financial investments non cash movements	16	(6.0)	0.1
Operating profit before working capital changes		**2.5**	**30.3**
(Increase)/decrease in reinsurance assets	15	(14.7)	(53.1)
(Increase)/decrease in insurance and other receivables	17	(18.8)	16.7
(Increase)/decrease in insurance contract provisions	15	(0.7)	(27.9)
Increase/(decrease) in other payables and deferred income	21	6.5	1.1
Increase/(decrease) in reinsurance payables	22	25.0	50.8
Cash flows used in operations		**(0.2)**	**17.9**
Interest received	4	13.0	11.9
Dividend Received	4	0.9	0.8
Tax (paid)/received		(4.9)	(7.6)
Net cash flows from operating activities		**8.8**	**21.2**
Cash flows from investing activities			
Purchase of financial investments	16	(111.6)	(103.7)
Sale of financial investments	16	123.4	120.6
Purchase of intangible assets	11	(4.2)	(4.2)
Purchase of property, plant and equipment	12	(1.1)	-
Net cash used in investing activities		**6.5**	**12.7**
Cash flows from financing activities			
Interest paid	9	(1.7)	(1.8)
Dividend paid		(20.0)	(15.0)
Net cash used in financing activities		**(21.7)**	**(15.0)**
Net increase in cash and cash equivalents		(6.5)	18.9
Cash and cash equivalents at 1 January		71.0	51.9
Cash and cash equivalents at 28 February		**64.5**	**71.0**
Cash available to the Company	18	**64.5**	**71.0**

The notes on pages 29 to 50 form an integral part of these financial statements.

Significant accounting policies

Tesco Underwriting Limited ('the Company') is a private company, limited by shares, domiciled and incorporated in England and Wales. The Company is primarily involved in personal lines insurance.

The Company is owned by Tesco Bank.

(a) Statement of compliance

The financial statements were authorised for issue by the directors on 5 May 2022.

(b) Basis of preparation

The Company has prepared the financial statements on a going concern basis. In considering the appropriateness of this assumption the Board has reviewed the Company's projections for the next twelve months from the date of this report and beyond, including cash flow forecasts and regulatory capital surpluses. The directors concluded that it is appropriate to prepare the accounts on a going concern basis. Consequently, the directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Unaudited SCR coverage at 28 February 2022 is 151.0%.

The Company presents its statement of financial position in order of liquidity in accordance with IAS 1 Presentation of Financial Statements. For each asset and liability line item in the statement of financial position that combines amounts expected to be recovered or settled within twelve months, or more than twelve months after the statement of financial position date, a classification at the statement of financial position date is included within the notes. The disclosure in the notes for these classifications are distinguished as follows:

- amounts expected to be recovered in less than one year are referred to as current;
- amounts expected to be recovered in more than one year are referred to as non-current.

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered.

New and amended standards and interpretations
There were no new accounting standards or amendments to standards which became effective with relevant endorsement for annual periods beginning on or after 1 January 2021, that had any impact on the Company in the period.

Standards issued but not yet effective
Standards, amendments and interpretations issued but not effective yet that are expected to have an impact on the Company are as follows:

IFRS 9 'Financial Instruments':
IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts' permits entities which meet certain requirements to defer the implementation of IFRS 9 until the effective date of IFRS 17. In June 2020, the IASB issued a final IFRS 17 with an effective date of 1 January 2023. The fixed expiry date for the optional temporary exemption from applying IFRS 9 granted to insurers is also 1 January 2023.

The Company is eligible for the temporary exemption and has opted to defer the implementation of IFRS 9. The eligibility conclusion is based on an analysis of the percentage of the total carrying amount of liabilities connected with insurance activities relative to the total carrying amount of all liabilities, which indicates the Company's activities are predominantly connected with insurance. Consequently, the Company has opted to defer the implementation of IFRS 9 until the effective date of the new insurance contracts standard.

In the context of the deferral of the implementation of IFRS 9, additional disclosures relating to groups of financial assets with contractual cashflows that are solely payments of principal and interest (the SPPI test) and to the credit quality of financial instruments that pass the SPPI test are required during the deferral period, commencing 1 January 2018. Note 2(iii) refers to these SPPI tests.

IFRS 17 'Insurance Contracts':
IFRS 17 is effective for annual periods beginning on or after 1 January 2023, subject to endorsement in the UK. Early adoption is permitted provided IFRS 9 and IFRS 15 are also applied. IFRS 17, which is a replacement for IFRS 4 'Insurance Contracts', requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. IFRS 17 includes an optional simplified premium allocation approach which is permitted for short-duration contracts.

The Company has established an IFRS 17 project team and work is well progressed on the design and build of the systems that will enable reporting under IFRS 17 from 1 March 2023. The Company expects to be able to apply the simplified premium allocation approach to all material insurance and reinsurance contract groups. The Company intends to perform a parallel run during the next financial period to conclude on the full impact on the financial statements at adoption.

Amendments to IAS 1 'Accounting Policies':
These amendments are effective for annual periods beginning on or after 1 January 2023, subject to endorsement in the UK. They require the disclosure of material accounting policy information rather than significant accounting policies. These amendments may result in some minor changes to future disclosure of accounting policies in the annual financial statements of the Company. The full impact on the Company is still being assessed.

Significant accounting policies

(b) Basis of preparation (continued)

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except that financial instruments classified as available-for-sale and are stated at their fair value and also the property investment recognised as fair value though the profit and loss account.

(ii) Functional and presentation currency

The financial statements are presented in millions of Pounds Sterling, which is the Company's functional currency. All financial information presented in Pounds Sterling has been rounded to one decimal place.

(iii) Use of estimate and judgements

The preparation of financial statements in conformity with IFRS as issued by the IASB requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Restatements to accounting estimates are recognised in the year in which the estimate is restated if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by the directors in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in notes 1 and 2.

The accounting policies set out below have been applied consistently to the period presented in these financial statements.

(c) Classification of insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. These contracts remain insurance contracts until all rights and obligations are extinguished or expire. Insurance contracts may also transfer some financial risk.

(d) Recognition and measurement of revenue

Premium

Gross written premiums comprise the premiums on contracts entered into during the period, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. The earned portion of premiums written is recognised as revenue. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of risks underwritten. Outward reinsurance premiums are recognised as a deduction from net insurance revenue in accordance with the contractual arrangements with reinsurers.

(e) Insurance contracts and reinsurance assets

Claims

Claims incurred consist of claims and claims handling expenses paid during the financial period, together with the movement in the provision for outstanding claims.

The provision for outstanding claims represents the Company’s estimate of the ultimate cost of settling all claims incurred but unpaid at the statement of financial position date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims data and making an allowance for claims incurred but not yet reported, adjusted for the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, substantively enacted legislative changes and past experience and trends. Reinsurance and other recoveries are assessed in a manner similar to the claims outstanding, and presented separately as assets.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior periods will be reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed and challenged regularly and presented to the Board and Audit and Board Risk Committees.

Significant accounting policies

(e) Insurance contracts and reinsurance assets (continued)

Liability adequacy test (Unexpired risk provision)

If required a provision is made for unexpired risks arising from business where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account the relevant investment return.

Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance ceded includes quota share, excess of loss and adverse development cover contracts. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance contracts. Amounts recoverable under such contracts are recognised in the same period as the related claim. Contracts that do not transfer significant insurance risk (i.e. financial reinsurance), are accounted for as financial instruments. The Company does not have financial reinsurance.

Reinsurance assets include balances due from reinsurance companies for reinsurance claims. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy.

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliable measurable impact on the amounts that the Company will receive from the reinsurer.

For the quota share reinsurance ceded, amounts payable for funds withheld, net of the associated quota share profit commission, are maintained in accordance with contract terms for each underwriting year. A commutation is performed for the purposes of settling the profit commission and funds withheld balance within the terms of the contract four years after commencement. For further details on funds withheld see note 22.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Deferred acquisition costs

Commission payable to agents and other acquisition costs, which are incurred for acquiring new and renewal insurance business that is primarily related to the production of that business, are deferred. Any balances not considered recoverable are written off.

Such deferred acquisition costs are finite and are amortised by reference to the basis on which the related premiums are earned which is over a one year period.

Other assessments and levies

The Company is obligated to pay various guarantee fund levies or other insurance industry related assessments. MIB levy costs are now recognised in full at the end of each year to cover the payment that will be required in the following year. FCA and Flood Re levies are billed on 1 April and the expense on these is recognised in full because the full year's liability is due on this date.

(f) Investment income

Investment income comprises interest income and net realised gains from financial investments earned in the period. Interest income is recognised as it accrues in the income statement, using the effective interest method.

(g) Expenses

Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and are expensed in the statement of comprehensive income in the period to which they relate.

Significant accounting policies

(h) Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of comprehensive income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Wages, salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised, and are measured at the amounts expected to be paid when the liabilities are settled.

(i) Income tax

Income tax expense in the statement of comprehensive income for the period comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax is the expected tax payable on the taxable profit for the period, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided in full, using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary difference is not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not discounted.

(j) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost (or deemed cost) less accumulated depreciation (see below) and impairment losses (see accounting policy (o)). Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Right of use assets

Right of Use Assets are measured at cost , which is made up of the initial measurement of lease liability, any costs to dismantle and remove the asset at the end of the lease, and any payments made in advance of the lease commencement date. A lease liability is also measured at the lease commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Significant accounting policies

(j) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The estimated useful lives are as follows:

Furniture and equipment	Three to five years
IT equipment	Three to five years
Right of use assets	The earlier of the useful life of the right of use asset or the end of the lease term

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the statement of comprehensive income.

(k) Intangible assets

Development expenditure

An intangible asset is an identifiable non-monetary asset and is recognised at cost if, and only if, it will generate future economic benefits and if the cost of the asset can be measured reliably. Intangible assets with definitive lives are amortised over the estimated useful life.

The Company capitalises internally developed intangible assets when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Company's intangible assets are computer software and are being amortised using the straight line method over 5 years.

At each reporting date, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable value is estimated. An impairment loss is recognised if the carrying amount of intangible asset exceeds its recoverable amount.

(l) Financial investments

Financial assets measured at fair value through the profit and loss account

TU's investment in a property fund was designated on initial recognition as one to be measured at fair value through the profit and loss account. Subsequent to initial recognition, it is remeasured at fair value which is the quoted bid price at the statement of financial position date.

Financial assets held as available-for-sale (AFS)

TU's investment debt securities are held as available-for-sale (AFS) assets. There are no derivatives.

These investments are recognised initially at fair value without any deduction for transaction costs the Company may incur on disposal. Purchases of financial investments are recognised on the trade date, which is when the Company commits to purchase the instrument.

The fair value of quoted investments is their quoted bid prices at the statement of financial position date.

Debt securities held here are intended to be held for an indefinite period and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Realised gains and losses are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of financial investments are recognised through Other Comprehensive Income (OCI), except for foreign exchange gains and losses on monetary items such as debt securities, which are recognised in profit or loss. When financial investments are sold or impaired, the cumulative gains or losses previously recognised through OCI are recognised in profit or loss. Where these investments are interest-bearing, interest is calculated using the effective interest method and is recognised in profit or loss.

Significant accounting policies

(m) Other receivables

Other receivables are stated at their cost less impairment losses (see accounting policy (o)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and holdings in liquidity funds. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(o) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Impairments on AFS investment bonds are recognised if there is a significant or prolonged decline in fair value.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of a financial investment is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of a financial investment recognised previously in equity is transferred to the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and financial investments that are debt securities, the reversal is recognised in the statement of comprehensive income. For the property fund, the reversal is recognised through the profit and loss account.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Financial liabilities

Financial liabilities include payables to related parties and interest-bearing loans and borrowings and also bank overdrafts and other contractual payables. Financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the year of the borrowings on an effective interest basis.

The directors have determined that the carrying amounts of bank overdrafts and other payables reasonably approximate their fair values because these liabilities are mostly short term in nature or are repriced frequently.

Significant accounting policies

(q) Derecognition of financial assets and liabilities

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(r) Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(t) Dividends

Dividends payable on ordinary shares are recognised when they are approved.

Notes to the financial statements

1. Accounting estimates and judgements

The most critical judgements and estimates made by the Company are those regarding reported and unreported losses, including reinsurance recoveries on those losses.

Outstanding claims and provisions

The Company establishes outstanding claims and provisions, or loss reserves in respect of the anticipated losses incurred in respect of business it has underwritten. These reserves reflect the expected ultimate cost of settling claims occurring prior to the statement of financial position date, but remaining unsettled at that time, and take into account any related reinsurance recoveries. Such reserves are established separately for each line of business underwritten by the Company and fall into two categories – reserves for reported losses and reserves for losses incurred but not reported as of the statement of financial position date.

In summary, case reserves for reported losses are established on a case-by-case basis and are based largely on past experience of settlements managed within the Company, as well as market experience on similar claims. The case reserves are set on an undiscounted basis and reflect the anticipated cost of final settlement, taking into account inflation and other factors which might influence the final outcome. Such reserves are reviewed on a regular basis to take account of changing circumstances, such as enacted or substantively enacted changes in the law and changes in costs relating to settlement.

Technical provisions for losses incurred but not reported as of the statement of financial position date are mostly established on an undiscounted basis. They are estimated based on historical data using various actuarial techniques and statistical modelling methodologies and calculated separately for each line of business underwritten and take into account trends in settlement costs in arriving at the final estimates. Gross to net ratios are applied to the gross provisions allowing for the reinsurance contracts in place at the appropriate period and historical development of the reinsurance recoveries.

Technical provisions on a discounted basis are set up in respect of Periodic Payment Orders (PPOs) only. The expected cashflows arising from known and potential PPO claims are calculated at a gross level and a related calculation is carried out to consider expected reinsurance cashflows. The future PPO related cashflows are discounted using a long term expected investment return to derive discounted claims provisions and discounted reinsurance provisions.

Scenarios, such as the Ogden discount rate changing or incorrect claims handlers' initial assessments in relation to expenses and interest rates, are assessed for the material components of the Group's reserves. For motor damage and smaller bodily injury claims, material scenarios lie in a range between £10m above and £10m below the chosen actuarial best estimate (ABE). Those associated with larger bodily injury claims are in a range between £30m above and £30m below the chosen ABE. This assumes an Ogden discount rate for valuing larger claims of minus 0.25%.

Uncertainty in the outstanding claims provisions arises from the settlement of bodily injury claims given the time to settlement and reliance on case estimation which may be based on relatively limited information. At this time there is heightened risk from claims inflation, supply chain issues and changes in the claims lifecycle which may have been impacted from either Brexit or the Covid-19 environment or both. These uncertainties create pressure in relation to late reported claims but also increases in average claims size. Scenarios around the impact of inflation and claims lifecycle were considered as part of the reserving process.

For further details on outstanding claims and provisions or loss reserves see Note 15.

2. Risk Management

Objectives and policies for mitigating business risk

The Company has identified the following risk areas: insurance, market, counterparty default, liquidity, operational, capital management and outsourcing which are aligned with the Company's Risk Framework Policy, which details the procedures in place to manage these exposures. These procedures are embedded in decision making processes and the culture of the business. They include an overall risk management framework together with a set of clearly defined risk policies which articulate the Company's risk appetite.

The Company also maintains a comprehensive risk register which identifies and articulates the individual risks faced in each area of the business and the controls in place to mitigate these. The Company's Management Risk Committee meets regularly to review both the risk profile and adherence to the risk framework, including risk appetite and risk policies, to ensure they are up-to-date, reflecting the risks currently facing the business, and that corresponding control issues and risk mitigation actions are being addressed in a timely manner. The Management Risk Committee's reports are provided to the Company's Board Risk Committee and Audit Committee.

(i) Insurance Risk

The Company's primary insurance business is the assumption of risk of loss from individuals directly subject to the risk. The classification of insurance risks are underwriting, claims reserving, claims management, reinsurance and expenses.

(a) Underwriting Risk

Underwriting risk occurs when the Company underwrites a policy at a given price which obliges it to pay claims under certain specified conditions, thus exposing the Company to the risk that the policy was not priced correctly due to underestimating the frequency and/or severity of the claims and/or that payments are required under conditions that were not anticipated. Underwriting risk is at the core of the Company's business and is a major source of exposure for the Company's capital. The systems and controls required to manage and control this area of risk are therefore of critical importance.

The Company's objective for underwriting risk is to manage the risks in line with the strategic plan and deliver the required return on capital and ensure that its plans are aligned to the strategies and plans of its distribution channel, i.e. Tesco Bank.

2. Risk Management (continued)

Objectives and policies for mitigating business risk (continued)

(i) Insurance Risk (continued)

(a) Underwriting Risk (continued)

The Company's approach to underwriting risk is characterised by large numbers of policyholders with homogeneous exposures such as car and home policies. Products are priced based on the Company's knowledge and the technical price is given to its sole intermediary, Tesco Bank. Tesco Bank has no discretion over this rate and must always provide the Company with this rate, irrespective of the final premium that has been agreed with the client; consequently underwriting is tightly controlled. The main technique to determine the price to be charged is to use past exposures, historical losses (plus an appropriate allowance for losses incurred but not reported (IBNR) and external data sources with the appropriate adjustments to reflect anticipated future market conditions, expenses and the required profit margin.

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys primarily excess of loss (i.e. non-proportional) reinsurance treaties to reduce its net exposure to agreed levels for each line of business in accordance with the Company's risk appetite. The Company has also purchased Adverse Development Cover (ADC) against the risk of low frequency high impact scenarios. Since 2018, the Company entered into a quota share reinsurance treaty in which the Company and the reinsurer share premiums and losses at an agreed percentage for each underwriting year. A commutation is performed for the purposes of settling the profit commission and funds withheld balance within the terms of the contract, four years after commencement. Consequently, the Company commuted the 2018 Quota Share contract in December 2021.

Sensitivity analysis of insurance risk

A well designed and executed Stress and Scenario Testing (SST) programme is part of TU's Contingency Planning which is consistent with previous periods.

Insurance stresses tested will consider:

- TU's market competitiveness - to assess the impact of lower profitability from writing lower than expected volumes or the capital strain from writing higher than expected volumes;
- Multiple weather events - to model events as a result of increasing aggravating climate changes and the impact on TU's catastrophe reinsurance covers;
- Large bodily injury claims - to assess the impact of insufficient loss reserves;
- Reinsurance contracts - to assess the benefits versus the costs of TU's QS reinsurance contract and ADC contact; and
- Ogden discount rate - to assess the impact of a reduction in the Ogden rate that is used in discounting large bodily injury claims

Concentrations of insurance risk

A key aspect of the insurance risk faced by the Company is the degree of concentration of insurance risk, which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

Concentrations of risk can arise in both high-severity, low frequency events, such as natural and other disasters and in situations where underwriting is biased towards a particular group, such as a particular geographical concentration or demographic trend. Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims.

High-severity, low frequency concentrations

The timing and frequency of high severity events are, by their nature, uncertain. They represent a material risk as the occurrence of such an event would have a significant adverse impact on the Company's cash flows and profitability.

The Company manages these risks by making appropriate allowance within the price calculated by underwriters and by purchasing a reinsurance programme that limits the impact of these events. The Company uses non-proportional reinsurance treaties to manage retention levels and the limits of protection.

Geographic and demographic concentrations

Material geographical concentrations of risk can exist in property portfolios such that natural perils of windstorm and floods may give rise to a large number of material damage and business interruption claims. TU only writes policies in the UK and the Channel Islands. The Company models its exposure to this risk to estimate its probable maximum loss and purchases reinsurance to significantly reduce its exposure to such events.

Economic conditions

The Company's insurance portfolio exposes it to a potential accumulation of different risks in the event of difficult economic conditions or more challenging points in the underwriting cycle. The Company's strategy has been to ensure that it charges the right premium for the business underwritten and it focuses on maintaining prices in such difficult market conditions. It also monitors claims closely to identify any that may be exaggerated or fraudulent.

Total aggregate exposure

The Company identifies the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures on a regular basis by reviewing reports which show the key aggregations to which the Company is exposed.

The Company uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of the reinsurance programmes, and to quantify the net exposure to which the Company is exposed. Additional stress and scenario tests are run using these models during the perio0064.

2. Risk Management (continued)

Objectives and policies for mitigating business risk (continued)

(i) Insurance Risk (continued)

(a) Underwriting Risk (continued)

Third party injury claims and credit hire

Since the Covid-19 pandemic, the motor insurance industry has experienced a reduced claims frequency and value of third party injury claims.

These reductions have been driven by several periods of national lockdowns and restrictions reducing the need for non-essential travel which has resulted in reduced frequency of claims and claim related income.

(b) Claims reserving risk

Reserving and the ultimate cost of claims risk occurs where the Company's estimates of its insurance liabilities prove to be insufficient through inaccurate forecasting, adverse random variation, or additional expenses.

The methods used to estimate the insurance liabilities in respect of outstanding claims and provisions are detailed in Note 1 to the financial statements.

The aim of the reserving policy of the Company is to produce estimates of insurance liabilities that are accurate and reliable across each line of business and are consistent over the time period required to settle all the claims.

The Company's reserving position is reviewed at the regular Reserving Committee and is presented to the Board. In addition an annual independent reserve review is undertaken.

(c) Claims management risk

Claims management risk may arise in the event of inaccurate or incomplete case reserving or settlement, poor customer service, claims fraud, ineffective or inefficient claim processes or excessive costs of handling claims.

The Company's claims handling is partially outsourced to Ageas Services (UK) Limited to handle individual claims on its behalf.

The Company's approach to claims management focuses upon creating a successful balance between satisfying the needs of the customer against control of the overall cost of the provision of the service that meets those needs in agreement with its service provider. Customers include both the insured as well as others that believe our insured has breached a duty of care. The Company's philosophy is based upon the following principles:

- inception of claims – work on claims commences at first notification of a loss where the components to satisfy a customer's claim are taken;
- predicament management – tailoring the Company's service to meet each individual customer's predicament created by the claim event and to meet their individual needs; and
- reducing failure demand – reducing the additional rework created by initially failing to take the right action for the customer.

These principles support the Company's objectives to:

- create empathy with the customer and to offer processes that successfully deal with the resolution of their individual predicament, not just their damaged assets;
- provide claims settlement that treats the Company's customers fairly, reflects Company policy, values and legal liability and complies fully with all other regulatory requirements;
- exercise control over claims reserves, indemnity claims costs, subrogated recoveries and payments to other parties; and
- exercise control over the expense costs associated with handling and settling claims.

(d) Reinsurance risk

Reinsurance is placed to reduce the Company's exposure to specific risks, events and accumulations. The risk is that the reinsurance contracts fail to perform as planned and do not reduce the gross cost of claims in terms of the limits purchased, either by risks not being appropriately covered or by there being gaps in the programme. The reinsurance programme is subject to considerable scenario planning, including by the Company's brokers, and is approved by the Reinsurance Committee and the Board.

The failure of a reinsurer to pay a valid claim is categorised as a credit risk.

(ii) Market risk

Market risk is the risk of change in the fair value of financial assets due to changes in interest rates and debt security market values and changes in fair value in relation to the property fund investment.

Interest rate risk

The Company's exposure to changes in interest rates is primarily concentrated in its investment portfolio. To mitigate changes in interest rates the Company holds the material proportion of its investments in fixed rate debt securities. It will normally hold these securities to their maturity in line with the investment strategy. This reduces the variation in future cash flows and provides security over future income and redemption values.

Notes to the financial statements

2. Risk Management (continued)

(ii) Market Risk (continued)

Spread risk

The Company is exposed to changes in the market values of debt securities for reasons other than changes in interest rates. This may be due to the credit rating changes, anticipated future interest rate changes, trading performance or market sentiment of the issuer.

The Company mitigates this risk by investing in high quality issuers in line with its investment strategy and normally holding debt securities until their maturity.

(iii) Counterparty default risk

Credit risk is where counterparties fail to meet their obligations in full as they fall due. The main sources of credit risk are:

- Investments
- Tesco Bank (intermediary)
- Reinsurers
- Other financial assets

None of the above are past due or impaired.

The Company has an Investment Committee, a Reinsurance Committee, a Board Risk Committee and a Management Risk Committee that monitor the different exposure, rating and accumulation risks. They review policies to ensure risk is controlled.

The table below provides information regarding the credit risk exposure of the Company at 28 February 2022 by classifying assets according to the credit ratings of counterparties. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

At 28 February 2022			£m			
	AAA	AA	A	BBB	Other	Total
Reinsurance assets	-	137.3	107.8	-	-	245.1
Financial assets recognised through profit and loss	-	-	-	-	23.2	23.2
Available for sale investments	77.9	102.4	282.4	113.7	-	576.4
Cash and cash equivalents	50.3	14.2	-	-	-	64.5
Insurance and other receivables	-	2.0	15.4	-	26.3	43.7
	128.1	255.9	405.7	113.7	49.5	952.9

At 31 December 2020			£m			
	AAA	AA	A	BBB	Other	Total
Reinsurance assets	-	184.5	45.9	-	-	230.4
Financial assets recognised through profit and loss	-	-	-	-	18.3	18.3
Available for sale investments	90.2	132.0	274.2	127.5	-	623.9
Cash and cash equivalents	25.4	45.6	-	-	-	71.0
Insurance and other receivables	1.3	1.7	3.2	2.4	24.5	33.1
	116.9	363.8	323.3	129.9	42.8	976.7

Investment ratings are provided by three credit rating agencies, Standard & Poor's, Moody's and Fitch. The ratings used are taken from the middle rating of the three agencies.

Included in the investments above are bonds of £584.7m (2020: £623.9m) and a property fund of £23.1m (2020: £18.3m). All the bonds are considered to be financial instruments that pass the SPPI test as required by IFRS 9, as described in Note (b) of the significant accounting policies. The property fund does not meet the SPPI test and is valued at fair value through the profit and loss account. There are no other financial instruments that do not meet the SPPI test.

Investments

The risk is managed within the Company's investment guidelines by the Investment Committee who regularly update the Board. The investment risk appetite is low as the return is required to meet future liabilities arising from the Company's insurance business. The debt securities that the Company holds are held as available-

2. Risk Management (continued)

(iii) Counterparty Default Risk (continued)

for-sale assets. These are held in a high quality, fixed income portfolio and are intended to be held for an indefinite period and which may be sold in response to needs for liquidity or in response to changes in market conditions.

An analysis of income from available for sale assets and income from other financial assets is shown in Note 16.

Agents, brokers and intermediaries

The Company only trades through Tesco Bank which is authorised by the PRA and regulated by the FCA and the PRA. The levels of debt are regularly monitored and appropriate action is taken in respect of slow and non-payment within the terms of credit.

	2022	2022	2020	2020
	£m	%	£m	%
Within terms	11.0	100.0	4.2	100.0

Reinsurance

The Company is exposed to credit risk through its reinsurance arrangements, where amounts due under a reinsurance contract may not be paid. The Company manages this risk by using only A grade (or better) reinsurers, or group companies supported by parent guarantee. The ratings of reinsurers are monitored by the Reinsurance Committee.

Other financial assets

The credit risk arising from the other financial assets of the Company, comprising cash and cash equivalents, instalments and other receivables, but excluding related party balances, from the default of the counterparty. Default on instalment payments results in the Company cancelling the underlying policy in order to reduce its exposure.

The maximum exposure is equal to the carrying amount of those assets.

An analysis of insurance and other receivables is shown in Note 17.

(iv) Liquidity risk

The Company is exposed to liquidity risks arising from daily calls on its cash resources, notably from claims arising on its insurance contracts. There is therefore a risk that cash will not be available to settle liabilities when due.

The liquidity risk needs to be balanced against the aim to match the maturity of financial assets with the estimate of the settlement of insurance liabilities and also optimise the yield on the investment portfolio.

The Company manages its liquidity risk by having investment guidelines that it maintains sufficient liquidity or its financial assets can be realised at short notice in the event of a major event or catastrophe. The Company may also make use of borrowing facilities if required.

The following table shows information about the estimated timing of the net cash flows based on the claims liabilities at 28 February 2022 and contractual maturity profile for the other financial liabilities as at 28 February 2022. The estimated phasing of the claims liabilities is based on current estimates and the actual timing of future settlement cash flows may differ from that disclosed below. The Company undertakes liquidity stress tests to assess the impact on the cash flow from these events.

Maturity profile of financial assets 2022

			£m		
	Within 1 year	2 -5 years	5 years and above	No term	Total
Reinsurance assets	60.9	92.6	91.6	-	245.1
Financial assets where change in fair value is recognised in the profit and loss account	-	-	-	23.2	23.2
Available for sale investments	142.7	225.7	208.1	-	576.4
Insurance and other receivables	34.3	9.2	0.2	-	43.7
Cash and cash equivalents	64.5	-	-	-	64.5
Deferred Tax Asset	(0.1)	3.2	-	-	3.1
	302.3	330.7	299.8	23.2	956.0

Maturity profile of financial assets 2020

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Reinsurance assets	46.7	59.7	124.0	-	230.4
Financial assets where change in fair value is recognised in the profit and loss account	-	-	-	18.3	18.3
Available for sale investments	90.1	343.5	190.3	-	623.9
Insurance and other receivables	26.3	6.7	0.1	-	33.1
Cash and cash equivalents	71.0	-	-	-	71.0
	234.1	409.9	314.4	18.3	976.7

Maturity profile of financial liabilities 2022

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Insurance contract provisions	191.3	257.0	199.1	-	647.4
Loans and borrowings	-	-	-	42.3	42.3
Reinsurance payables	0.6	114.8	-	-	115.4
Lease Liability	0.2	-	-	-	0.2
	-	-	-	-	-
	192.1	371.8	199.1	42.3	805.4

Maturity profile of financial liabilities 2020

	£m				
	Within 1 year	2 -5 years	5 years and above	No term	Total
Insurance contract provisions	189.9	223.6	234.7	-	648.2
Loans and borrowings	-	-	-	42.3	42.3
Reinsurance payables	1.7	88.7	-	-	90.4
Lease Liability	0.2	0.3	-	-	0.5
	191.8	312.6	234.7	42.3	781.4

Claims liabilities - Estimated payment profile

Payment period	2022 £m	2022 %	2020 £m	2020 %
0 - 1 year	95.7	19%	94.8	19%
2 - 5 years	200.0	41%	171.3	35%
5 years and above	195.3	40%	229.7	46%
Total	491.0	100%	495.8	100%

An analysis of insurance contract provisions is shown in Note 15 (iii).

2. Risk Management (continued)

(v) Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems, or from external events. It is diverse in nature and permeates all business activities but remains a distinct form of risk. Operational risk includes for example, information technology, people, strategy, business continuity, regulatory, legal and financial crime. Operational risk incidents can lead to additional exposure to other risk types resulting from an inadequate or inappropriate control environment.

The identification, assessment and evaluation, management, monitoring and reporting of risks rests with business managers of the different areas. Risks are identified, assessed and scored; the Management Risk Committee on a regular basis reviews the risks and for those falling outside the Company's risk appetite monitors the remedial action to ensure compliance with the Company's risk appetite. Operational losses and near misses are reviewed to ensure there is ongoing improvement of the control environment.

(vi) Capital management

Aims of capital management policy

The Company has established standards for the efficient management of capital, to meet the needs of the business and return on capital requirements of shareholders. This includes the capital required to support the Solvency Risk Appetite as specified in the Company's Risk Appetite Policy in full compliance with the requirements of the PRA. Under the Own Risk and Solvency Assessment (ORSA) process the Company also carries out a regular programme of stress and scenario testing to assess the impact on potential future capital requirements.

The Company has a Resolution Plan document, which has been agreed in principle by the Board, based on the guidelines provided in the PRA's Supervisory Statement on Resolution Planning. This contains the baseline information needed to determine a resolution strategy, including details of the Company's ownership structure, business model, internal dependencies and external interconnectedness; and provides the PRA with sufficient information for them to assess the preferred resolution strategy for the firm.

Definitions of capital management (and supporting terms)

Capital management is the collection of processes and activities undertaken to provide sufficient capital to enable the organisation to meet its liabilities and ultimately ensure its survival, particularly in case of losses arising from adverse events.

Capital management includes the assessment of capital required to support the Company's plans and objectives, the structure of its shareholders' funds, arrangements to secure capital, and the ongoing monitoring of capital against business requirements, as well as the assessments required by the PRA under the Solvency II regime, including the minimum capital requirement (MCR) and solvency capital requirement (SCR), assessed using its approved Solvency II partial internal model (PIM) and Solvency II standard formula (SF). During the period, the Company has principally measured its available capital against the PIM required capital.

The PRA approved the use of a PIM in 2020 and is used by the Company since leaving the Ageas Group.

The Company has a capital contingency plan which sets out the approach to the risk that it could breach its SCR and require an additional, unplanned capital injection.

Approach to capital management

Each year the Company will prepare a three-year strategic plan, which will be reviewed and restated annually and then formally approved by the Company's Board.

A key factor in the formulation of the Strategic Plan is the ORSA process which covers the assessment of the capital required to support the business objectives (i.e. growth and profit targets) and the appropriateness of the supporting capital structure.

Overall capital requirements and structure are assessed taking account of the following:

- capital required to support the planned growth in new business and renewal premiums and profit targets;
- the required rate of return on capital employed;
- the required dividend; and
- PRA solvency capital requirements based on the Company's approved Partial Internal Model from 1 January 2016.

The Company's available capital is compared to its risk appetite above the Solvency II PIM SCR. At 28 February 2022 the Company had unaudited Solvency II own funds of £183.0m (2020: £185.9m) against unaudited PIM SCR of £121.1m (2019: £118.2m). The coverage ratio is 151.0% post dividend (2020: 157.3%). The Company made a dividend payment of £20m through retained earnings.

Sensitivity to key business drivers

The impact of the changes in key business drivers is each assumed to be a discrete change. All other factors will be unchanged.

Some of these changes cannot be guaranteed to have a linear effect and as a whole range of other factors will impact the results they cannot be guaranteed to predict the result detailed. In addition the Company's risk management processes are designed to ensure that corrective action is implemented to mitigate or reverse the changes.

Interest yields sensitivity

The Company will be exposed to the impact of interest yield changes on its financial assets and liabilities. If interest yields fall there would be a reduction in income on short-term cash balances and an increase in the market value of fixed interest debt securities. If interest yields rise there would be an increase in income on short-term cash balances and a decrease in the market value of fixed interest debt securities.

2. Risk Management (continued)

(vi) Capital Management (continued)

Interest yields sensitivity (continued)

As the Company will normally hold its fixed interest debt securities for an indefinite period, it will neither benefit from an increase nor suffer any reduction in its future cash flow. It will either benefit from an increase or suffer a reduction in the yield on any future fixed interest debt securities purchased from surplus funds and the maturity of current investments.

Interest yields 2022	2022 £m	2022 £m	2022 £m	2022 £m
Interest yield change	+ 0.5%	+ 0.25%	- 0.25%	- 0.5%
Increase/(reduction) in profit	0.8	0.4	(0.4)	(0.8)
Increase/(decrease) in net assets	(2.9)	(1.4)	1.4	2.9
Total estimated increase/(decrease) in net assets excluding tax impact	(2.1)	(1.1)	1.1	2.1

Interest yields 2020	2020 £m	2020 £m	2020 £m	2020 £m
Interest yield change	+ 0.5%	+ 0.25%	- 0.25%	- 0.5%
Increase/(reduction) in profit	0.6	0.3	(0.3)	(0.6)
Increase/(decrease) in net assets	0.8	0.6	(1.1)	(2.7)
Total estimated increase/(decrease) in net assets excluding tax impact	1.4	0.9	(1.4)	(3.3)

Expenses increase by 5.0%

If all three expense areas (acquisition, administration, and claims) were to increase by 5.0% each, in addition to the impact on profit of the additional costs, it will also increase the claims handling provision and the deferred acquisition costs to the extent that these will be recovered by unearned premiums.

	2022 £m	2020 £m
Total reduction in profit before tax	3.6	2.4
Total reduction in net assets before tax	3.6	2.4

Gross loss ratio increases by 1.0%

If the cost of claims were to increase the gross loss ratio (gross incurred claims as a proportion of gross earned premium) by 1.0% there would be a reduction in profits. It is assumed that a similar portion of claims costs would be recoverable from reinsurers. There would also be an increase in claims handling reserve as a proportion of the claims would be unpaid at the statement of financial position date.

	2022 £m	2020 £m
Total reduction in profit before tax	3.4	3.0
Total reduction in net assets before tax	3.4	3.0

(vii) Outsourcing risk

Outsourcing risk arises from the reliance on, or failure of, an outsourcer to:

- exercise control over major processes, key operations, functions and knowledge that are critical to the Company's business;
- comply with the Company's risk policies;
- deliver their contractual agreements.

It also includes the risk of needing to bring back in-house the key operations and not having the capacity to do so.

The identification, assessment and evaluation, management, monitoring and reporting of risks rests with business managers of the different areas. This process applies wherever the Company appoints a third party (either independent or intra group) for the supply of services which are integral to its main business activities.

(viii) Climate Change risk

The Company has considered risks associated with climate change. This is considered in full within the Environment section of the Stakeholder Engagement Statements.

(ix) Covid-19 risk

The Company has considered risks associated with Covid-19 pandemic. This is considered in full within the Covid-19 pandemic section of the Stakeholder Engagement Statements.

3. Premium and ceded premium

	2022	2020
	£m	£m
Gross premiums written	346.6	297.7
Change in the gross provision for unearned premiums	(4.1)	1.1
Gross insurance premium revenue	342.5	298.8
Less: written premiums ceded to reinsurers	(150.9)	(130.8)
Reinsurers' share of change in the provision for unearned premiums	1.7	31.3
Ceded earned premiums	(149.2)	(99.5)
Net insurance premium revenue	193.3	199.3

4. Investment income

	2022	2020
	£m	£m
Interest Income:		
- Financial Investments interest income	13.0	11.7
- Loans and receivables interest income	0.0	0.2
Dividend income from financial assets through profit and loss account	0.9	0.8
Fair value losses on financial assets at FVPL (designated as such on initial recognition)	4.5	(0.9)
Realised gains and losses from available-for-sale assets	0.5	0.2
Total Investment income	18.8	12.0

5. Other operating income

	2022	2020
	£m	£m
Other income	3.4	3.1
Total Other Operating Income	3.4	3.1

Other operating income reflects income derived from fees earned upon the referral of customers to third parties for car hire and legal services.

Notes to the financial statements

6. Claims and benefits incurred

	2022 £m	2020 £m
Current period claims paid	(122.2)	(86.6)
Change in prior periods claims provisions	51.3	30.8
Claims handling costs	(12.3)	(11.6)
Additional liabilities arising during the period	(149.8)	(132.7)
Total claims and benefits incurred	(233.1)	(200.1)

7. Acquisition costs

	2022 £m	2020 £m
Commission expenses payable	(15.2)	(2.7)
Other acquisition costs payable	(5.5)	(4.9)
Changes in deferred acquisition costs	3.2	(2.6)
Total acquisition costs	(17.5)	(10.2)

8. Operating expenses

	2022 £m	2020 £m
Depreciation and amortisation	(3.4)	(1.8)
Employee expense and benefits:		
- Wages and salaries	(16.6)	(15.3)
- Compulsory social security contributions	(1.8)	(1.6)
- Contributions to defined contribution plans	(1.1)	(0.9)
Total staff costs	(19.5)	(17.8)
Auditor's remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	(0.4)	(0.2)
Other operating expenses	(18.4)	(7.3)
Total operating expenses	(41.7)	(27.1)

Amortisation included above relates to intangible assets – refer Note 11 for more detail. The Company will pay its auditor £408,000 (2020: £289,000) in total including £342,000 (2020: £249,000) for the audit of these financial statements, £66,000 (2020: £40,000) for the audit of the relevant elements of the Solvency and Financial Condition Report, and £0 (2020: £53,400) for reviews of interim financial information in the period.

Notes to the financial statements

9. Finance costs

	2022 £m	2020 £m
Interest expense	(1.9)	(1.8)
Total finance costs	(1.9)	(1.8)

10. Income tax

	2022 £m	2020 £m
Analysis of tax charge in the period		
Current tax		
UK corporation tax on profits of the period	3.7	7.0
Prior period (over)/under provision in respect of current tax	0.1	-
	3.8	7.0
Deferred tax		
Origination and reversal of timing differences	0.2	-
Prior period (over)/under provision in respect of deferred tax	(0.1)	-
	0.1	-
Tax on profit on ordinary activities	3.8	7.0
Profit/(loss) on ordinary activities before tax	20.5	36.7
Profit on ordinary activities at the standard rate of corporation tax in the UK at 19% (2020:19%)	3.9	7.0
Prior period (over)/under provision in respect of current tax	0.1	-
Prior period (over)/under provision in respect of deferred tax	(0.1)	-
Tax on profit on ordinary activities	3.8	7.0
Statement of other comprehensive income		
Current tax recognised through OCI	-	(0.1)
Deferred tax recognised through OCI	(7.7)	(2.2)
	-	
Total tax recognised directly in equity	(7.7)	(2.3)

Notes to the financial statements

11. Intangible assets

	IT software £m
Cost	
Balance at 1 January 2020	29.3
Additions	4.2
Balance at 31 December 2020	33.5
Additions	4.2
Balance at 28th February 2022	37.7
Amortisation and impairment losses	
Balance at 1 January 2020	22.2
Amortisation charge for the period	1.6
Balance at 31 December 2020	23.8
Amortisation charge for the period	2.8
Balance at 28th February 2022	26.6
Carrying amounts	
Balance at 31 December 2020	9.7
Balance at 28th February 2022	11.1

12. Property, plant and equipment

	Right of Use Asset: Lease £m	Furniture £m	IT equipment £m	Total £m
Cost				
Balance at 1 January 2020	0.8	1.7	0.3	2.8
Acquisitions/(Disposals)	-	-	-	-
Balance at 31 December 2020	0.8	1.7	0.3	2.8
Acquisitions/(Disposals)	-	-	1.1	1.1
Balance at 28 February 2022	0.8	1.7	1.4	3.9
Depreciation and impairment losses				
Balance at 1 January 2020	0.2	1.6	0.3	2.1
Depreciation charge for the period	0.1	0.1	-	0.2
Disposals	-	-	-	-
Balance at 31 December 2020	0.3	1.7	0.3	2.3
Depreciation charge for the period	0.3	-	0.2	0.5
Disposals	-	-	-	-
Balance at 28 February 2022	0.6	1.7	0.5	2.8
Carrying amounts				
Balance at 31 December 2020	0.5	-	-	0.5
Balance at 28th February 2022	0.2	-	0.9	1.1

The Company applied IFRS 16 from 1 January 2019 onwards using the modified retrospective approach.

The Company leases office premises under an operating lease. The original lease agreement was from 2012, with option to extend from 2017. This option to renew was taken up for 5 years from 2017 – 2022.

The Company recognised a right-of-use asset and a lease liability from 1 January 2019. The right-of-use asset was initially measured at this date taking the cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an estimate of costs to restore the building to the condition at the start of the lease.

12. Property, plant and equipment (continued)

The right-of-use asset was subsequently depreciated using the straight line method from the commencement date to the end of the lease term. The interest expense charged on lease liabilities during the period was £11,802.

The lease liability was initially measured at the present value of the lease payments using the Company's incremental borrowing rate of 2.25% which is included within Insurance payables, other payables and deferred Income (Note 21).

13. Deferred acquisition costs

As part of the Company’s insurance business, certain acquisition costs are deferred. An analysis of these deferred costs is set out below:

	2022	2020
	£m	£m
Balance at 1 January 2021	7.8	10.4
Acquisition costs incurred in period	20.8	7.6
Amortisation charged to income	(17.5)	(10.2)
Balance at 28 February 2022	11.0	7.8

14. Deferred tax

In the March 2021 Budget Statement, the Chancellor announced that the standard rate of corporation tax in the UK will increase from 19% to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021, and as a result deferred taxes at the balance sheet date are measured at the enacted rate at the end of the reporting period of 25%.

This increase in the rate resulted in the deferred tax liability balance increasing by c. £1.5m, with the tax charge mainly being recognised through OCI.

Deferred tax (liabilities) and assets are attributable to the following:	2022	2020
	£m	£m
Other temporary differences	0.1	0.1
Unrealised loss on assets held as AFS through OCI	3.1	(4.7)
	3.1	(4.5)

Movement in temporary differences during the period:		
Balance at 1 January 2021	(4.5)	(2.4)
Differences between depreciation and capital allowances	(0.1)	0.0
Unwind of gain/(loss) on assets held as AFS through OCI	-	0.1
Unrealised (loss)/gain on assets held as AFS through OCI	7.7	(2.3)
Balance at 28 February 2022	**3.1**	**(4.5)**
Deferred tax asset to be recovered within one year	0.1	
Total deferred income tax asset	**0.1**	
Deferred tax liability to be recovered within one year	(0.1)	
Deferred tax liability to be recovered after more than one year	3.2	
Total deferred income tax liability	**3.1**	
Deferred tax liability (net)	**3.1**	

The deferred income tax recognised through OCI during the period relates to unrealised movements on financial investments.

Notes to the financial statements

15. Insurance contract provisions and reinsurance

	2022			2020 (restated)		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£m	£m	£m	£m	£m	£m
Unearned premiums	156.4	(64.1)	92.4	152.4	(62.4)	90.0
Claims	491.0	(181.0)	310.0	495.8	(168.0)	327.8
Total insurance contract provisions	647.5	245.1	402.4	648.2	(230.4)	417.8
Current	191.3	(60.9)	130.4	189.8	(46.7)	143.1
Non current	456.2	(184.2)	272.0	458.4	(183.7)	274.7
	647.5	(245.1)	402.4	648.2	(230.4)	417.8

The presentation of this note has been amended since the prior year to improve clarity of this disclosure. The Claims line was previously split over two lines.

(i) Analysis of movements in insurance provisions

	2022			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£m	£m	£m	£m	£m	£m
Balance at 1 January	648.2	(230.6)	417.6	676.1	(177.3)	498.8
Claims paid/recovered from reinsurers	(231.7)	86.1	(145.6)	(204.4)	40.1	(164.3)
Movement in claims incurred but not reported	(2.1)	19.2	17.1	109.9	(60.1)	49.8
Claims reported in the period	229.0	(118.3)	110.7	67.6	(1.8)	65.8
Change in provision for unearned premiums	4.1	(1.7)	2.3	(1.0)	(31.3)	(32.3)
Balance at 28 February/31 December	647.5	(245.3)	402.2	648.2	(230.4)	417.8

Recoveries are not included above. For details see subsection (iii).

(ii) Analysis of movements in provision for gross unearned premium

	2022	2020
	£m	£m
Balance at 1 January	152.4	153.5
Premiums written during the period	346.6	297.7
Less: premiums earned during the period	(342.5)	(298.8)
Balance at 28 February/31 December	156.5	152.4

15. Insurance contract provisions and reinsurance (continued)

(iii) Analysis of movements in outstanding claims

	2022 £m	2020 £m
Gross outstanding claims		
Balance at 1 January	495.8	522.7
Current period claims	292.5	243.2
Change in prior period claims	(65.6)	(54.5)
Current period claims paid	(122.2)	(98.2)
Prior period claims paid	(109.5)	(117.4)
Balance at 28 February/31 December	491.0	495.8
Salvage and subrogation recoveries (Note 17)		
Balance at 1 January	16.0	27.2
Current period claims	20.5	12.4
Change in prior period claims	(14.4)	(23.6)
Balance at 28 February/31 December	22.1	16.0
Gross claims outstanding net of recoveries		
Balance at 1 January	479.8	495.5
Current period claims	272.0	230.8
Change in prior period claims	(51.3)	(30.8)
Current period claims paid	(122.2)	(98.2)
Prior period claims paid	(109.5)	(117.5)
Balance at 28 February/31 December	468.9	479.8

(iv) Process used to determine the assumptions

The sources of data used as inputs for the assumptions behind insurance provisions are internal, using detailed studies that are carried out at least annually. The assumptions are checked to ensure that they are consistent with observable market prices or other published information. There is more emphasis on current trends, and where in more recent periods there is insufficient information to make a reliable best estimate of claims development, suitable benchmark assumptions are used.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises. The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. The degree of complexity involved will also differ by book of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The cost of outstanding claims and the IBNR provisions are estimated using various statistical methods. Such methods extrapolate the development of paid and incurred claims, average cost per claims and ultimate claim numbers for each accident period based upon observed development of earlier periods, with reference to suitable benchmarks.

The key methods are:

- development factor methods, which use historical data to estimate the paid and incurred to date as proportions of the ultimate claim cost;
- individual claim assessment methods, which use claim specific details for large individual claims to estimate the ultimate claim cost; and
- benchmarking methods, which use the experience of comparable, more mature classes, or market data to estimate the cost of claims.

The actual method or blend of methods used varies by accident period being considered, the class of business and observed historical claims development.

To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, insofar as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- changes in processes that affect the development / recording of claims paid and incurred (such as changes in claim reserving procedures and/or the introduction of a new claims system);
- economic, legal, political and social trends (resulting in, for example, a difference in expected levels of inflation);
- changes in mix of business; and
- random fluctuations, including the impact of large losses.

15. Insurance contract provisions and reinsurance (continued)

(iv) Process used to determine the assumptions (continued)

IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of reinsurance recoveries. The Company is covered by a variety of excess of loss reinsurance programmes. The methods used by the Company take account of historic data, specific details for individual large claims and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

The Company considers that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions, which could differ when claims arise.

Recoveries through salvage and subrogation are estimated and recorded as an asset separately based on a combination of suitable benchmark assumptions and the observed development to date.

Covid-19 pandemic impact

For part of 2021 during the Covid-19 pandemic, TU has experienced a reduced claims frequency and value of third-party injury claims. These reductions have been driven by several periods of national lockdowns and restrictions reducing the need for non-essential travel which has resulted in reduced frequency of claims and claim related income. Towards the end of the financial, the frequency has recovered back to normal levels.

(v) Analysis of claims development – gross of reinsurance and net of salvage and subrogation recoveries

					Accident year							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of gross ultimate claims costs:												
At end of the financial year	529.8	390.6	349.3	327.1	370.7	304.3	317.4	282.2	219.7	224.1	47.9	*
One financial year later	534.4	388.4	352.7	343.2	372.1	298.8	296.7	288.1	209.0	**		
Two financial years later	522.5	372.6	379.1	343.1	335.0	269.3	267.9	270.9	**			
Three financial years later	517.3	382.8	352.9	322.7	324.5	258.3	270.7	**				
Four financial years later	526.8	362.5	359.7	311.5	322.9	252.8	**					
Five financial years later	517.7	360.3	346.9	304.9	308.6	**						
Six financial years later	520.3	360.8	349.9	305.4	**							
Seven financial years later	518.9	360.3	343.3	**								
Eight financial years later	526.8	360.1	**									
Nine financial years later	527.7	**										
Current estimate of cumulative claims	527.7	360.1	343.3	305.4	308.6	252.8	270.7	270.9	209.0	224.1	47.9	
Cumulative payments to date	(504.5)	(348.2)	(327.4)	(295.9)	(286.7)	(240.7)	(223.6)	(188.1)	(125.0)	(113.5)	(8.7)	
Current gross claims provisions	23.2	11.9	15.9	9.5	21.9	12.2	47.2	82.8	84.0	110.6	39.1	458.2
2011 and prior												5.9
Claims Handling provision												4.8
Total												468.9

The Company changed its financial year-end from 31 December to 28 February, however accident years remained consistent with a calendar year.
* The 2022 accident year consists of only 2 months.
** The most recent development period consists of 14 months.

Notes to the financial statements

15. Insurance contract provisions and reinsurance (continued)

(vi) Analysis of claims development – net of reinsurance and net of salvage and subrogation recoveries

					Accident year							
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of net ultimate claims costs:												
At end of the financial year	515.5	378.8	336.0	319.5	310.5	276.0	259.0	235.7	143.9	127.0	37.2	*
One financial year later	521.9	380.3	338.2	327.2	319.2	269.7	259.3	254.7	124.9	**		
Two financial years later	512.4	367.9	348.9	330.7	302.0	252.0	233.4	243.6	**			
Three financial years later	506.6	371.5	342.6	314.8	291.7	241.5	246.7	**				
Four financial years later	505.4	358.9	339.1	305.8	292.5	239.4	**					
Five financial years later	500.3	355.2	338.0	300.7	286.6	**						
Six financial years later	503.6	356.2	339.9	300.9	**							
Seven financial years later	503.3	355.1	333.7	**								
Eight financial years later	506.5	354.2	**									
Nine financial years later	505.6	**										
Current estimate of cumulative claims	505.6	354.2	333.7	300.9	286.6	239.4	246.7	243.6	124.9	127.0	37.2	
Cumulative payments to date	(498.1)	(347.2)	(323.1)	(292.2)	(275.9)	(231.9)	(210.9)	(184.8)	(87.2)	(66.7)	(2.9)	
Current gross claims provisions	7.5	7.0	10.6	8.7	10.7	7.5	35.8	58.8	37.8	60.2	34.3	279.0
2011 and prior												4.1
Claims Handling provision												4.8
Total												287.9

The Company changed its financial year-end from 31 December to 28 February, however accident years remained consistent with a calendar year.
* The 2022 accident year consists of only 2 months.
** The most recent development period consists of 14 months.

16. Financial instruments

	2022 £m	2020 £m
Financial assets at fair value through profit and loss		
Property Fund	23.2	18.3
Available-for-sale investments		
Debt securities - fixed rate		
Supranational / Agency bonds	85.1	81.8
Corporate bonds	491.4	542.1
Total financial investments	599.6	642.2

The movements in financial investments are as follows:

	2022 £m	2022 £m	2022 £m	2020 £m	2020 £m	2020 £m
Balance at 1 January 2020	623.9	18.3	**642.2**	629.6	19.1	**648.7**
Additions	111.6	-	**111.6**	103.8	-	**103.8**
Sales and redemptions	(123.4)	-	**(123.4)**	(120.6)	-	**(120.6)**
Fair value unrealised gains and losses - AFS assets	(36.8)	-	**(36.8)**	11.0	-	**11.0**
Fair value through profit and loss gains and losses	-	4.9	**4.9**	-	(0.8)	**(0.8)**
Amortisation of premiums and discounts	1.2	-	**1.2**	0.1	-	**0.1**
Balance at 28 February 2022	576.4	23.2	**599.6**	623.9	18.3	**642.2**

As at 28 February 2022 the current portion of financial investments available for sale is £147.7m (2020: £90.1m) and the non-current portion is £433.8m (2020: £533.8m). As at 28 February 2022 the property investment where fair value is through the profit and loss account is non-current 2022: £23.2m (2020: £18.3m).

The effective annual interest rate at the statement of financial position date on sterling investments is 1.75 % (2020: 1.87%).

During the period £0.11m (2020: £0.2m) of available-for-sale debt securities has been reclassified from previously unrecognised gains or losses within OCI to profit or loss on disposal.

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs other than quoted prices included within Level 1 either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. The category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Notes to the financial statements

16. Financial instruments (continued)

	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Property Fund	-	23.2	-	23.2
Available-for-sale investments				
Debt securities - fixed rate	-	576.4	-	576.4
Total financial investments	-	599.6	-	599.6

	2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit and loss				
Property Fund	-	18.3	-	18.3
Available-for-sale investments				
Debt securities - fixed rate	-	623.9	-	623.9
Total financial investments	-	642.2	-	642.2

The Company does not have direct exposure to sovereign debt other than to the UK government and indirect exposure is carefully managed through conservative investment guidelines. Level 2 investments are valued via quoted prices in markets which are considered less than active.

17. Insurance and other receivables

	2022 £m	2020 £m
Receivables arising from insurance contracts: reinsurers	6.2	0.8
Amounts due from group undertakings	11.2	4.8
Salvage and subrogation recoveries	22.1	16.0
Other receivables and prepayments	3.5	2.3
Accrued interest income	8.3	8.8
Deferred other charges	0.6	0.4
Total insurance and other receivables	52.0	33.1

Amounts due from group undertakings relates primarily to premiums paid by policyholders to Tesco Bank which have yet to be passed to the Company.

Notes to the financial statements

18. Cash and cash equivalents

	2022 £m	2020 £m
Cash at bank	14.2	17.8
Cash equivalents	50.3	53.2
Cash and cash equivalents	64.5	71.0

Cash and cash equivalents include liquidity funds of £25.4m (2020: £25.4m) and custodian funds of £24.8m (27.8m).

19. Financial Liabilities – loans and borrowings

	2022 £m	2020 £m
Non-current liabilities		
Subordinated Debt	42.3	42.3
Accrued interest*	0.2	-
Total loans and borrowings	42.5	42.3

The subordinated debt, payable to Tesco Bank, bears interest at 3.5% plus the SONIA rate on the first day of the interest period on £28m and 4.5% plus the SONIA rate on the first day of the interest period on £14.3m. The LIBOR rate used previously, was replaced by the SONIA rate from October 2021. Interest is paid quarterly. The loan has no stated maturity.

* The Company changed the disclosure policy in relation to accrued interest during the period by disclosing the amount with financial investments whereas it was disclosed in Note 21 in previous periods

20. Current tax asset

The current tax asset of £0.6m (2020: liability £0.7m) represents the amount of income taxes receivable in respect of the current period.

21. Insurance payables, other payables and deferred income

	2022 £m	2020 £m
Amounts due to group undertakings	1.3	1.2
Direct insurance contract payables	0.3	0.1
Other payables and accrued expenses	17.1	8.9
Lease liability	0.3	0.5
IPT, VAT and other taxes payable	7.4	9.1
Total insurance payables, other payables and deferred income	26.3	19.8

Amounts due to group undertakings are unsecured, interest free and repayable on demand in cash.

22. Funds withheld

TU has put in place a quota share contract as part of its overall reinsurance protection strategy. A funds withheld account is maintained which represents the balance due to reinsurers in accordance with the terms of this reinsurance agreement. The balance is the net of premiums payable, commission receivable, claims recoveries receivable and profit commission receivable or payable, with the reinsurance margin paid over eight quarterly instalments. The funds withheld account is made up of quota share funds withheld of £122.5m and a profit commission of (£7.7m) (which is part of the contract but is a separate payable). The contract will be commuted after four years from inception.

All of the above balances are classified as non-current at the period-end.

Notes to the financial statements

23. Pension scheme

The Company had previously participated in the Ageas Group Personal Pension Scheme in respect of all staff. From 1 November 2021 onwards the Company participates in the Tesco Retirement Savings Plan in respect of all staff; this is also a defined contribution scheme. The assets of the plan are held by Legal & General. The pension cost in respect of members represents contributions payable by the Company to both funds over the 14-month period and amounted to £1,049,079 (2019: £911,002).

24. Share capital

In millions of shares	2022	2020
Ordinary shares in issue at 31 December	129.7	129.7
Ordinary shares authorised at 31 December	500	500

At 28 February 2022, the issued share capital comprised 64,704,166 ordinary A shares and 64,963,501 ordinary B shares. Both A and B ordinary shares have a par value of £1 and were fully paid up at the end of the period.

The beneficial owners of A and B ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

25. Staff numbers

	2022	2020
Business acquisition	38	53
Claims handling	242	228
Administration	62	71
	342	352

The full time equivalent number of employees was as follows:

	2022	2020
Business acquisition	37	52
Claims handling	233	217
Administration	62	68
	332	337

The average number of persons employed by the Company during the period was as follows:

	2022	2020
Total number of employees	335	357
Full time equivalent number of employees	322	343

26. Related party transactions

Identity of related parties

The Company has a related party relationship with its directors. The directors include the key management of the Company. There were no balances outstanding with the directors at year-end. There were no transactions entered into with the directors during the 14 months up to 28 February 2022 or in 2020 other than the remuneration disclosed in Note 27.

In the ordinary course of business the Company carries out transactions with related parties as defined in IAS 24, Related Party Disclosures. Material transactions and balances due to and (from) related parties are set out below:

	2022 Costs £m	2022 Balances £m	2020 Costs £m	2020 Balances £m
Ageas (UK) Limited	1.0	-	8.3	1.3
Ageas (UK) Limited - subordinated loan	0.3	-	0.9	21.3
Tesco Personal Finance plc	24.0	(10.1)	19.9	(4.4)
Tesco Personal Finance plc - subordinated loan	1.7	42.5	0.9	21.3
	26.9	32.4	30.0	39.5

Up until 4 May 2021, the Company was jointly owned by Tesco Bank and Ageas (UK) Limited. Ageas (UK) Limited provides the Company with claims handling and management services and transactions up to the 4th of May have been included in the table above.

26. Related party transactions (continued)

Tesco Bank provides the Company with IT and management services.

Tesco Bank have provides the Company with a subordinated loan of £42.5m. Refer to Note 19 for more details on the loan.

27. Directors' remuneration

	2022 £m	2020 £m
Short-term employee benefits	1.3	1.8
Post-employment benefits (see note below)	-	-
	1.3	1.8

The aggregate of emoluments of the highest paid director was £635,337, with no post-employment benefits (2020: £722,642, with no post-employment benefits). Post-employment benefits for all Directors in the 14 month period ending 28th February 2022 were £1,370 (2020: £4,170).

In addition to their salaries, the Company also provides non-cash benefits to directors (medical insurance).

28. Ownership

The Company is owned by Tesco Bank, a company registered in Scotland, whose registered address is 2 South Gyle Crescent, Edinburgh, United Kingdom, EH12 9FQ. Financial Statements for Tesco Bank can be obtained from its registered office.

The ultimate holding company of Tesco Bank is Tesco PLC incorporated in England and Wales. The Financial Statements for Tesco PLC can be obtained from its registered office at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA.

The smallest group into which the Company is consolidated is Tesco Bank and the largest group is Tesco PLC.

On 4 May 2021, Tesco Bank acquired the remaining 50.1% ordinary share capital of Tesco Underwriting, from its joint venture partner, Ageas (UK) Limited ('Ageas'), following regulatory approval received in March 2021. Since 4 May 2021, Tesco Underwriting has therefore become a wholly owned subsidiary of Tesco Bank and forms part of the Tesco Bank group.

29. Subsequent events

There were no events after the reporting date which have required either adjustment or disclosure in these Financial Statements.